

# HOUSE BILL 896

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By: **Prince George's County Delegation and Montgomery County Delegation**

Introduced and read first time: February 9, 2012

Assigned to: Environmental Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **The Washington Suburban Sanitary Commission Transparency and Rate**  
3 **Relief Act of 2012**

4 **PG/MC 107-12**

5 FOR the purpose of altering the terms of Washington Suburban Sanitary District  
6 bonds and refunding bonds that may be issued by the Washington Suburban  
7 Sanitary Commission to decrease the number of years that a bond may mature  
8 from the date of issuance; requiring the Commission to reduce a certain sum  
9 owed for the extinguishment or redemption of a front foot benefit charge by a  
10 certain amount under certain circumstances; requiring certain information  
11 regarding the number of payments of a front foot benefit charge to be printed on  
12 property tax bills in Prince George's County; prohibiting the Commission from  
13 assessing a benefit charge against certain real property for longer than a certain  
14 number of years under certain circumstances; prohibiting the Commission from  
15 recalculating or increasing any benefit charge assessed against property  
16 because of a reduction of the revenues collected by the Commission as a result of  
17 this Act; prohibiting the Commission from assessing a benefit charge for longer  
18 than a certain number of years against any new residential real property  
19 constructed in Prince George's County or Montgomery County on or after a  
20 certain date; requiring the Commission to use money in a certain bond fund to  
21 offset any reduction in revenues collected by the Commission as a result of this  
22 Act; providing that a property owner against whose property a benefit charge  
23 has been assessed by the Commission for a certain number of immediately  
24 preceding years shall be deemed as having paid the benefit charges in full;  
25 prohibiting the Commission from assessing a front foot benefit charge against  
26 certain property during a certain fiscal year; prohibiting the Commission from  
27 raising a certain service rate for water or sewer usage by more than a certain  
28 amount in a certain fiscal year; and generally relating to water and sewer usage  
29 service rates of and bonds issued and benefit charges assessed and collected by  
30 the Washington Suburban Sanitary Commission.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, with amendments,  
2 Article – Public Utilities  
3 Section 22–102, 22–114, 25–211, and 25–214  
4 Annotated Code of Maryland  
5 (2010 Replacement Volume and 2011 Supplement)

6 BY adding to  
7 Article – Public Utilities  
8 Section 25–215  
9 Annotated Code of Maryland  
10 (2010 Replacement Volume and 2011 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article – Public Utilities**

14 22–102.

15 (a) The Commission may issue bonds of the sanitary district in amounts  
16 necessary to carry on its work, including for:

17 (1) acquisition, design, construction, reconstruction, establishment,  
18 extension, enlargement, or condemnation of the water and sewer systems in the  
19 sanitary district or in an area where extension of the systems may be authorized by  
20 law;

21 (2) acquisition of land or equipment for, or construction, remodeling,  
22 enlargement, or replacement of any office or operating building necessary to  
23 administer or operate the systems; or

24 (3) design and construction of trunk sewers and sewers or portions of  
25 sewer lines required to relieve septic tank failures and for which no front foot benefit  
26 charges can be collected as determined by the Commission, and sewage pumping  
27 stations and sewage disposal facilities, including reimbursement to the District of  
28 Columbia or other federal authorities for any construction within the District of  
29 Columbia.

30 (b) (1) The Commission may issue bonds of the sanitary district for the  
31 acquisition of capital equipment in amounts necessary to carry on its work, including:

32 (i) computer equipment;

33 (ii) laboratory equipment;

34 (iii) maintenance field and yard equipment;

1 (iv) office equipment;

2 (v) telecommunication equipment; and

3 (vi) trucks and fleet vehicles.

4 (2) The bonds may be issued only to finance the acquisition of  
5 equipment:

6 (i) with a useful life of 4 to 7 years;

7 (ii) that the Commission expects to finance over a period of 4  
8 years or less; and

9 (iii) for which the Commission budgets accordingly.

10 (3) The principal of the bonds issued under this subsection shall be  
11 payable annually beginning not more than 1 year after the date of issue.

12 (4) The bonds issued under this subsection shall mature not more  
13 than 4 years after the date of issue.

14 (5) The aggregate amount of bonds issued under this subsection  
15 outstanding at any time may not exceed \$15,000,000, subject to annual upward  
16 adjustment in accordance with the Consumer Price Index – All Urban Consumers  
17 (CPI-U), for the Washington, DC–MD–VA metropolitan area, over the base year 1997.

18 (c) Except as otherwise provided in this section, bonds issued under this  
19 section shall be issued as serial bonds with the principal payable annually, beginning  
20 no later than 3 years from the date of issue.

21 (d) (1) The bonds shall:

22 (i) be issued in denominations determined by the Commission;

23 (ii) bear interest annually at rates the Commission determines  
24 to be advantageous to the sanitary district and in the public interest; and

25 (iii) mature no later than **[40] 23** years from the date of issue.

26 (2) The bonds may be:

27 (i) registered or coupon bonds; or

28 (ii) registrable as to principal with interest represented by  
29 coupons.

1           (3)    The interest on the bonds shall be payable semiannually.

2           (e)   (1)   Notwithstanding any other provision of law, the Commission may  
3 issue bonds that have a maturity of more than 1 year as fully registered bonds without  
4 coupons.

5           (2)   The Commission may determine the form of the bonds issued  
6 under paragraph (1) of this subsection for the purposes of:

7                   (i)   qualifying the interest on the bonds for exemption from  
8 federal income tax; and

9                   (ii)   conforming to standards and practices for the registration  
10 and transfer of bonds generally followed by banks and trust companies acting as  
11 registrars and transfer agents of bonds, including:

12                           1.    signing of bonds by facsimile signatures of  
13 Commission officers;

14                           2.    authentication of bonds by the manual signature of an  
15 officer of a bank or trust company signing as the registrar or transfer agent;

16                           3.    maintenance by registrars or transfer agents of  
17 records of owners of bonds;

18                           4.    complying with the standard record date system for  
19 payment of interest;

20                           5.    issuing bonds on the basis of book entries and  
21 certificates; and

22                           6.    complying with requirements for the form of bond  
23 that is acceptable to central depositories used in the marketing and trading of  
24 municipal bond issues.

25           (f)   The bonds of the sanitary district or of the Commission are forever  
26 exempt from taxation by the State and counties and municipalities in the State.

27           (g)   The bonds may be made redeemable before maturity at the option of the  
28 Commission at the prices and under terms and conditions that the Commission sets  
29 before the bonds are issued.

30   22-114.

31           (a)   The Commission may borrow money and issue refunding bonds to refund  
32 bonds issued and outstanding by the Commission if:

1 (1) the county executives and county councils of Montgomery County  
2 and Prince George's County approve the plan for the issuance of refunding bonds; and

3 (2) the Commission determines that issuing refunding bonds will  
4 result in total savings in debt service costs, directly or through any debt restructuring.

5 (b) The Commission shall authorize the issuance of refunding bonds by  
6 resolution that may include:

7 (1) the date of the refunding bonds;

8 (2) the maturity dates of the refunding bonds, which may not exceed  
9 **[40] 23** years from the date of issue;

10 (3) the interest rates on the refunding bonds, which may not exceed  
11 10% annually;

12 (4) the denominations of the refunding bonds;

13 (5) the form of the refunding bonds, which may be coupon or  
14 registered;

15 (6) registration or conversion privileges;

16 (7) the manner of executing the refunding bonds;

17 (8) the manner of payment at places in or outside of the State;

18 (9) terms for redemption before maturity;

19 (10) terms for replacement of mutilated, destroyed, stolen, or lost  
20 bonds; and

21 (11) any other terms, conditions, or covenants.

22 (c) Refunding bonds issued to refund outstanding bonds for which front foot  
23 benefit charges have been imposed shall mature on or before 1 year after the date set  
24 for the payment of the final installment of the front foot benefit charge.

25 (d) (1) Refunding bonds may be:

26 (i) exchanged for bonds being refunded;

27 (ii) sold at public sale; or

1 (iii) subject to paragraph (2) of this subsection, sold at a  
2 negotiated sale in an open meeting.

3 (2) Refunding bonds may be sold at a negotiated sale if the  
4 Commission determines:

5 (i) that a public sale would be impracticable to effectuate the  
6 purpose of the refunding bonds; and

7 (ii) the price, terms, and conditions are in the best interest of  
8 the Commission.

9 (e) (1) At least 45 days before the sale or exchange of any refunding  
10 bonds, the Commission shall deliver its plan on the issuance of the refunding bonds to  
11 the county executives and county councils of Montgomery County and Prince George's  
12 County.

13 (2) Except as provided in paragraph (3) of this subsection, the  
14 Commission may not sell or exchange the refunding bonds unless the plan under  
15 paragraph (1) of this subsection is approved by the county executives and county  
16 councils of Montgomery County and Prince George's County.

17 (3) (i) On or before 30 days after the delivery of the plan, the  
18 county executives and county councils of Montgomery County and Prince George's  
19 County shall approve or disapprove of the plan.

20 (ii) Failure of a county executive or county council of  
21 Montgomery County or Prince George's County to act within 30 days is deemed as  
22 approval of the plan by that county.

23 (4) The county executives and county councils of Montgomery County  
24 and Prince George's County may waive the time period requirements under this  
25 subsection.

26 (f) If an officer whose signature or facsimile signature appears on a  
27 refunding bond or coupon ceases to be an officer before the delivery of the refunding  
28 bond, the signature or facsimile is valid and sufficient as if the officer remained in  
29 office until delivery.

30 (g) Refunding bonds issued to refund bonds guaranteed as to payment of  
31 principal and interest by Montgomery County or Prince George's County may be  
32 guaranteed in the same manner and form as under § 22-104 of this subtitle.

33 (h) Refunding bonds authorized under this section are:

34 (1) in addition to any other bonds authorized under this subtitle; and

1 (2) included in computing the amount of bonds that may be issued  
2 under the 7% limitation under § 22-103 of this subtitle.

3 (i) Refunding bonds authorized under this section are forever exempt from  
4 taxation by the State and counties and municipalities in the State.

5 (j) The powers granted under this section are not subject to the provisions of  
6 any other law in conflict with the powers.

7 25-211.

8 (a) (1) For purposes of this section, the annual benefit charge for a  
9 property shall be calculated at a sum:

10 (i) equal to the base rate applied to the classification for the  
11 property as it is used, disregarding any allowance for excess; but

12 (ii) not less than the base rate applied to property in the  
13 residential subdivision classification.

14 (2) At any time, a benefit charge may be extinguished or redeemed by  
15 payment to the Commission of a sum equal to:

16 (i) the annual benefit charge multiplied by the number of years  
17 yet to run on the bonds that financed the construction of the water main or sewer on  
18 which the benefit charge was based; and

19 (ii) less the interest calculated at the rate of interest on the  
20 bonds that financed the construction of the water main or sewer on which the benefit  
21 charge is based.

22 (b) Notwithstanding subsection (a) of this section, if a benefit charge is paid  
23 and redeemed because the property is acquired by the State, a county, or other  
24 governmental unit under any law that requires redemption, the payment to the  
25 Commission:

26 (1) shall be the capitalized amount of the actual benefit charge; but

27 (2) may not be less than an amount calculated as if the property were  
28 in the small acreage classification, with the redemption amount calculated as provided  
29 in this section.

30 (c) **NOTWITHSTANDING SUBSECTIONS (A) AND (B) OF THIS SECTION,**  
31 **WHEN A FRONT FOOT BENEFIT CHARGE IS EXTINGUISHED OR REDEEMED THE**  
32 **COMMISSION SHALL REDUCE THE SUM OWED FOR THE EXTINGUISHMENT OR**  
33 **REDEMPTION OF THE FRONT FOOT BENEFIT CHARGE BY AN AMOUNT EQUAL TO**  
34 **3%.**

1           **(D)** (1) On receiving a sum from the extinguishment or redemption of one  
2 or more front foot benefit charges, the Commission:

3                           (i) shall purchase and cancel one or more bonds from the series  
4 of bonds issued for the construction that was the basis of the front foot benefit charge;  
5 or

6                           (ii) may invest or use the sum to:

7                                       1. construct other water mains and sewers for which  
8 benefit charges are imposed; or

9                                       2. amortize bonds issued for the construction of water  
10 mains and sewers for which front foot benefit charges are imposed under this subtitle.

11                   (2) The Commission may make up a deficiency in the purchase of a  
12 bond or pay a premium from any available surplus funds.

13                   (3) The extinguishment or redemption of a benefit charge is  
14 conditional until the last year of maturity of the bonds from which proceeds the water  
15 mains or sewers were constructed.

16                   (4) If, after extinguishment or redemption, the use of the property  
17 changes to another classification that would yield a greater benefit charge than that  
18 used to calculate the sum to extinguish or redeem the benefit charge, the Commission  
19 may:

20                           (i) reclassify the property;

21                           (ii) calculate a benefit charge to give credit for the sum paid for  
22 the extinguishment or redemption; and

23                           (iii) reimpose the benefit charge for the remaining number of  
24 years until the bonds mature.

25 25–214.

26                   (a) This section applies to the collection of benefit charges for the  
27 Commission by the directors of finance of Prince George’s County and Montgomery  
28 County or by other tax collecting authorities in those counties.

29                   (b) Each year, for 30 days before the collection of taxes begins in  
30 Montgomery County and Prince George’s County, the Commission shall have access to  
31 the records of the treasury division in each county’s department or office of finance to  
32 inform each county:

1 (1) regarding which properties or property owners are subject to a  
2 benefit charge and the annual benefit charge imposed on the property;

3 (2) regarding each property on which the Commission has imposed a  
4 benefit charge that was not subject to State or county taxes; and

5 (3) of the total benefit charge imposed for all properties in the county.

6 (c) (1) (i) All laws relating to the collection of county taxes apply to  
7 the collection of a benefit charge.

8 (ii) A benefit charge:

9 1. for purposes of collection, shall be treated as a county  
10 tax;

11 2. shall bear the same interest and penalties as a county  
12 tax; and

13 3. shall be advertised with, and in the same manner as,  
14 a county tax.

15 (2) The director of finance shall collect a benefit charge in accordance  
16 with this section.

17 (3) The director of finance:

18 (i) shall refer a protest, objection, or complaint concerning a  
19 benefit charge to the Commission; and

20 (ii) may not refund, change, or amend a benefit charge.

21 (4) A property redeemed from a county tax sale or a property sold by  
22 the county council of Montgomery County or Prince George's County after a final tax  
23 sale may not be redeemed or sold except on payment of the benefit charge due on the  
24 property.

25 (5) A property subject to a delinquent benefit charge shall be sold for  
26 the delinquent benefit charge at the same time and in the same manner as property  
27 sold for delinquent county taxes.

28 (d) (1) The director of finance shall:

29 (i) print on the tax bill:

30 "To Sanitary Commission benefit charge \$....";

- 1 (ii) provide a space on the tax bill for the interest or penalty;
- 2 (iii) make the proper entries on each tax bill mailed; and
- 3 (iv) collect the amount specified on the bill for the benefit charge  
4 with the State and county taxes.

5 (2) In Montgomery County, each property tax bill shall list separately  
6 any deferred water main or sewer connection benefit charges applicable to an assessed  
7 property.

8 **(3) IN PRINCE GEORGE'S COUNTY, EACH PROPERTY TAX BILL**  
9 **SHALL CONTAIN A NOTICE OF THE NUMBER OF ANNUAL PAYMENTS REMAINING**  
10 **ON THE ASSESSED PROPERTY FOR THE FRONT FOOT BENEFIT CHARGE.**

11 (e) (1) On or before the 10th day of each month, the director of finance  
12 shall pay the Commission the amount of the benefit charges collected by the director of  
13 finance through the last day of the preceding month.

14 (2) If the director of finance does not pay the amount due the  
15 Commission as provided in paragraph (1) of this subsection, the amount due shall bear  
16 a penalty of 1% per month.

17 (3) The director of finance is personally liable for failure to pay the  
18 amount due to the Commission.

19 (4) The county councils of Montgomery County and Prince George's  
20 County shall require the bonds of its respective director of finance to be conditioned on  
21 payment to the Commission of the amount collected under this section.

22 (f) (1) By December 1 of each year, the Commission shall pay  
23 Montgomery County and Prince George's County a reasonable amount for the services  
24 of its respective director of finance.

25 (2) The payment provided for in paragraph (1) of this subsection shall  
26 be included as an item in the Commission's operating budget.

27 **25-215.**

28 **NOTWITHSTANDING ANY OTHER PROVISION OF LAW:**

29 **(1) FOR A PROPERTY AGAINST WHICH A FRONT FOOT BENEFIT**  
30 **CHARGE THAT WAS ASSESSED BEFORE JUNE 1, 2012, IF THE CHARGE HAS BEEN**  
31 **ASSESSED FOR LESS THAN 23 YEARS, THE COMMISSION MAY NOT ASSESS THAT**  
32 **BENEFIT CHARGE FOR LONGER THAN 23 YEARS FROM THE YEAR THAT THE**  
33 **BENEFIT CHARGE WAS INITIALLY ASSESSED AGAINST THE PROPERTY;**

1           **(2) THE COMMISSION MAY NOT RECALCULATE OR INCREASE A**  
2 **FRONT FOOT BENEFIT CHARGE BECAUSE OF A REDUCTION IN REVENUES**  
3 **COLLECTED BY THE COMMISSION AS A RESULT OF THIS SECTION;**

4           **(3) FOR RESIDENTIAL REAL PROPERTY CONSTRUCTED IN**  
5 **MONTGOMERY COUNTY AND PRINCE GEORGE'S COUNTY ON OR AFTER JUNE 1,**  
6 **2012, A FRONT FOOT BENEFIT CHARGE MAY NOT BE ASSESSED BY THE**  
7 **COMMISSION AGAINST THE PROPERTY FOR MORE THAN 23 YEARS; AND**

8           **(4) THE COMMISSION SHALL USE THE MONEY IN THE CURRENT**  
9 **BOND FUND UNDER § 22-107 OF THIS DIVISION II TO OFFSET ANY REDUCTION**  
10 **IN REVENUES COLLECTED BY THE COMMISSION AS A RESULT OF THIS SECTION.**

11           SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding any  
12 other provision of law, on or before June 1, 2012, for a property owner against whose  
13 property a front foot benefit charge has been assessed by the Washington Suburban  
14 Sanitary Commission for the immediately preceding 23 years, the front foot benefit  
15 charge shall be deemed as having been paid in full. The Commission shall promptly  
16 take the necessary steps to implement this section.

17           SECTION 3. AND BE IT FURTHER ENACTED, That, notwithstanding any  
18 other provision of law, the Washington Suburban Sanitary Commission may not  
19 assess a front foot benefit charge against any property during the 2013 fiscal year. The  
20 Commission may not recalculate or increase a front foot benefit charge because of a  
21 reduction in revenues collected by the Commission as a result of this section.

22           SECTION 4. AND BE IT FURTHER ENACTED, That, notwithstanding any  
23 other law, the Washington Suburban Sanitary Commission may not raise the service  
24 rate for water or sewer usage by more than 5% for fiscal year 2013.

25           SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
26 June 1, 2012.